GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:1595
ANSWERED ON:25.07.2017
Investment in Fertilizer Sector
Pal Shri Jagdambika

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

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(a)Whether the fertilizers industry has failed to attract investment for quite some time and if so, the reasons therefor;

(b)Whether the Government has formulated any pricing policy for the sale of fertilizers and if so, the details thereof;

(c)the targets fixed with regard to production of fertilizers during the next five years; and

(d)the steps being taken to achieve the same?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS, SHIPPING, ROAD TRANSPORT & HIGHWAYS

(SHRI MANSUKH L. MANDAVIYA)

(a) : The Government has notified New Investment Policy − 2012 on 2nd January, 2013 and its amendment on 7th October 2014 to facilitate fresh investment in urea sector and to make India self-sufficient in the urea sector. Based on NIP − 2012, any interested company can establish urea plants in the country. At present, Department of Fertilizers has 2 active proposals, i.e. Matix Fertilizers & Chemicals Limited (Greenfield project at Panagarh, West Bengal) and Chambal Fertilizers & Chemicals Limited (Brownfield project at Gadepan, Rajasthan) for setting up of urea projects.
So far as P&K fertilizers is concerned, the country has very little reserves of fertilizer raw material and natural gas in the country. There is no known source of potash reserves in the country and for phosphate the country depends on imports for its 90% requirement. Natural gas in the country is scarce and the domestic gas allocated for fertilizer sector has been allocated exclusively for Urea. Production of ammonia required for producing P&K fertilizers through imported RLNG is very costly as compared to imported ammonia. Under the above conditions, indigenous production of P&K fertilizers is not always viable. Hence, P&K fertilizer industry except SSP industry is unable to attract investment.

However, a large number of SSP units have come up after NBS policy. The number of SSP units has increased from 73 in 2008-09 to 108 in 2016-17. Even the production of SSP has also increased from 25.34 LMT in 2008-09 to 43.38 LMT in 2015-16.

(b) : The urea is sold at a statutorily controlled price fixed by the government and at present is Rs 5360 per MT (exclusive of taxes). So far as P&K fertilizers is concerned, the market price is open and fertilizer companies are allowed to fix MRPs at reasonable level. It is mandatory for all the fertilizer companies to submit along with their claims of subsidy, certified cost data in the prescribed format and as per the requirement for the purpose of monitoring of MRPs of P&K fertilizers fixed by the fertilizer companies. In cases, where after scrutiny, unreasonableness of MRP is established or where there is no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy may be restricted or even denied if the product is otherwise eligible for subsidy under NBS. In proven case of abuse of subsidy mechanism, DoF, on the recommendation of IMC may exclude any grade/grades of fertilizers of a particular company or the fertilizer company itself from the NBS scheme.

(c) & (d) : Department of Fertilizers sets annual targets for major fertilizers and therefore, the production target of Fertilizers in the next five years is not available. Target fixed for the current year 2017-18 of major fertilizers are given below: -
Product Name Target (Fig. in LMT)Urea 241.69DAP 50.31Complexes 100.99

The Government of India has notified the New Urea Policy (NUP) - 2015 on 25th May, 2015 for existing 25 gas based urea units with the objective of maximizing indigenous urea production, promoting energy efficiency in urea production and rationalizing subsidy burden on the government.
NUP-2015 has led to additional production of approximately 20 LMT during 2015-16 as compared to 2014-15, from the existing gas based urea plants and the total production of urea during the year 2015-16 was 244.5 LMT, i.e. the highest ever urea production in the country. The indigenous urea production for 2016-17 was 242.01 LMT.
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